

Nebraska Advantage Microenterprise Tax Credit Act

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Microenterprise Tax Credit Act



- There is \$2 million available, per calendar year through 2010, for individuals who are actively involved in a microbusiness at an eligible location
- An individual and their related parties are limited to a lifetime \$10,000 refundable credit

Microenterprise Tax Credit Act



- Eligibility
- Credit Calculation
- Filing requirements



Eligibility

- Individual actively involved in eligible microbusiness
 - Size
 - Tax Status
 - Location
 - Qualifying business activity
- Timely application
- Growth in investment or employment



Applicant

- The application is filed by an individual actively involved in *day to day* operations of the microbusiness
 - Personal involvement on a continuous basis in the daily management and operation of the business

Applicant



- Each individual and their related parties are limited to a lifetime credit of \$10,000
- Related party
 - Parent, spouse, child and sibling
 - Section 267(b) & (c), Section 707(b) of IRC



Microbusiness

- Size
 - Five or fewer full-time equivalent employees at time of application
 - Hours paid cannot exceed 200 per week
- Tax Status
 - Entity must be subject to income tax
 - At least 90% of the owners of the flow-thru entity must be subject to income tax

Full-time equivalent calculation



- Qualifying hours at the project, divided by 40 times number of weeks in year
- Allowable Hours
 - regular, overtime at straight time, vacation, sick, holiday, jury, military
- Disallowed hours
 - vacation paid upon termination, hours associated with bonus, hours entered for severance pay



Microbusiness

- Eligible_Location
 - List of qualified locations:
www.revenue.ne.gov
 - All locations in counties other than Washington and Lancaster are eligible
 - Within Washington and Lancaster counties:
 - Certain municipalities qualify
 - Certain census tracts qualify

Nebraska Advantage Microenterprise Tax Credit Act

Qualified Locations

[Microenterprise Information](#) | [Tax Incentives Home](#)

For applications filed on or after January 1, 2008:

Counties in which all locations are eligible:

All Nebraska counties except Lancaster and Washington

Municipalities in which all locations are eligible:

Arlington, Bennett, Blair, Davey, Fort Calhoun, Hallam, Herman, Hickman, Kennard, Lincoln, Malcolm, Panama, Roca, Sprague, and Waverly.

Census tracts in which all locations are eligible:

To find the census tract for a location, go to the [U.S Census Bureau Web site](#) and enter the address.

Lancaster	0001.00, 0002.02, 0003.00, 0004.00, 0005.00, 0006.00, 0007.00, 0008.00, 0009.00, 0010.00, 0015.00, 0016.00, 0017.00, 0018.00, 0019.00, 0020.00, 0021.00, 0022.00, 0023.00, 0027.01, 0029.00, 0030.01, 0030.02, 0030.03, 0031.01, 0032.01, 0032.02, 0033.00, 0034.00, 0035.00, 0036.01
Washington	0501.01

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Census 2000

■ Enter a street address, city and state, or a street address and ZIP code. Click 'Go'

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City

State

ZIP Code

Go



Microbusiness

- Qualifying Business Activity
 - All business activities qualify other than certain farm and livestock activities
 - Allowable farm & livestock activities: ag tourism, aquaculture, production of fruits, herbs, trees, organic crops, vegetables, or nursery crops
 - Disallowed farm & livestock activities: other farm and livestock activities if the net worth exceeds \$200,000



Farm or livestock activities

- An applicant, including spouse or dependent, may not have a net worth more than \$200,000 based on market value
 - Land and equipment (net of debt)
 - Grain held for sale
 - Raised breeding stock
 - Home, vehicles and investments



Application

- Application filed after November 1 will be considered to be filed on the first business day of the following calendar year
- Applications processed in order received
 - \$2 million available per year through 2010



Application

- Form with attachments: www.revenue.ne.gov
 - No fee
 - Complete Part 1
 - Request a portion of the available funds to be reserved for your project - use estimates
 - Establish base year
 - Form W-3N; tax returns for applicant and microbusiness
 - Requires license for applicable Nebraska tax programs



Tax credit

- Refundable credit
 - 20% of new investment or employment based on an increase in the year of application and the following year as compared to the *Base Year* (the tax year prior to application)
 - No stated minimum investment or employment



Tax credit

- New investment:
 - Increase in purchases of buildings and depreciable personal property other than motor vehicles
 - Leased property: Increase in average net annual rents multiplied by years of lease not to exceed 10 years
 - Increase in repairs and maintenance, advertising, legal and professional services



Tax credit

- New employment:
 - Increase in compensation to Nebraska resident employees
 - Include employer cost of health insurance
 - Exclude compensation in excess of 150% of Nebraska average weekly wage (\$1,016 per week)

Nebraska Advantage Microenterprise Tax Credit Act Application

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The taxpayer filing this application must be actively engaged in the operation of a microbusiness in an eligible area. An eligible microbusiness is a business with five or fewer full-time equivalent employees at the time of application, other than a farmer or livestock operator who has a net worth that exceeds \$200,000. Refer to the qualified location information on our Web site www.revenue.ne.gov to determine if the business is located in an eligible area.

PART 1

Complete the following information about the taxpayer and the microbusiness in which it is involved.

APPLICANT – NAME AND MAILING ADDRESS				MICROBUSINESS – NAME AND LOCATION ADDRESS			
(PRINT CLEARLY)	Legal Name			Name			
	Street Address (Do not use P.O. Box)			Street or Other Mailing Address			
	City	State	Zip Code	City	State	Zip Code	
				County	Census Tract if in Lancaster or Washington County		
Social Security Number							

1A Describe your business activity including products sold and markets served.

1B Explain how you plan to expand your business and how this expansion will address current market needs. Be as specific as you can about when you plan to expand, what purchases you intend to make and/or how you will increase employee compensation.

2 The microenterprise tax credit has a \$10,000 lifetime limit for the applicant and any related party. Has a Nebraska Advantage Microenterprise Tax Credit Act application been filed by you, your spouse, parent, sibling, child or a related party? ☐ YES ☐ NO

If Yes, please identify: Name _____ Social Security Number _____
 Name _____ Social Security Number _____
 Name _____ Social Security Number _____
 Name _____ Social Security Number _____

2A What was the amount of microenterprise credit authorized or requested by the prior applicant(s)? **2A** _____

2B Enter the remaining possible credit. (\$10,000 – line 2A) **2B** _____

3A Estimated income, expenditures, and credits. If a related person (see question 2 response) has applied, the base year figures and the estimated growth of the microenterprise must be shared (see application guide) and reflected in question 3A response.

	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
	Base Year	Year 1	Year 1	Year 2	Year 2	Total	
	Tax Year Prior to Application	Year of Application	Increase (Column B-A)	Year After Application	Increase (Column D-A)	Two Year Increase (Column C + E)	Estimated Credit (20% of Column F)
Tax year ending date							
Annual income							
New investment*							
New employment**							

3B Total Estimated Credit **3B** _____

3C Enter the lesser of line 2B or the credit estimated on line 3B **3C** _____

* This should include net lease increase, depreciable assets purchases, repairs and maintenance expenditures, advertising, legal and professional services expenditures of the microbusiness, other than expenditures related to vehicles required to be licensed. Use the Lease Calculation Worksheet in the application guide to determine net lease increase.

** New employment means the amount of total compensation plus employer cost for health insurance for Nebraska resident employees.

Applicant's Name

Social Security Number

Date

- 4 How is the applicant involved in the day to day activity of the business? Explain the involvement, the frequency and the significance to the business operation.
- 5 Enclose a copy of the most recent federal income tax filing for the **applicant** and the **business**. Include copies of the first 4 pages, schedules supporting the first 4 pages, Affiliations Schedule (Form 851), Depreciation and Amortization Federal Form 4562, and a copy of each Shareholder's Share of Income, Credits, Deductions, etc. (Schedule K-1). If the applicant is a sole proprietorship, provide a copy of the Profit and Loss from Business (Schedule C) or the Profit or Loss from Farming (Schedule F). If the business is new in the year of application, indicate the type of entity. _____ If the new business is a flow through entity, attach a list of the owners, their ownership percentage and their social security numbers.
- 6 Enclose a copy of the most recent Nebraska Reconciliation of Income Tax Withheld, Form W-3N.
Estimated number of hours paid to hourly or salaried employees during the pay period including the date of application. _____
What is the payroll frequency (weekly, biweekly, semimonthly, monthly)? Identify the ending date of the payroll period that includes January 2, 2009 or your application date whichever is later. _____
A copy of the payroll register showing total hours paid to all employees for the pay period including the date of application must be provided. This information is due within 10 days of the end of your pay period.
- 7 Each business must be fully licensed according to the Nebraska Licensing Requirements listed on the Nebraska Tax Application, Form 20. This form is available on our Web site at: www.revenue.ne.gov/tax/forms.htm. (If not licensed, attach a copy of the completed Nebraska Tax Application, (Form 20), and proof of date submitted).
Nebraska sales and use tax identification number _____.
Nebraska withholding tax identification number _____.
Nebraska income tax identification number _____.
- 8 Farmers and livestock operators must provide a current net worth statement, including any holdings by a spouse or dependent, based on fair market value. The net worth statement must be signed and dated by the applicant **AND** a lawyer, banker, loan officer, financial counselor, or an accountant, who gives his/her title and states in writing that the information provided on the statement appears to be accurate. The term "current" means as of the date of application or 1/2/2009, whichever is later. The net worth statement must be provided within 30 days of the date of application.

E-MAIL: If you allow the department to contact you by e-mail, you accept any risk of loss of confidentiality associated with this method of communication.

AUTHORIZED SIGNATURE: This application must be signed by the individual actively involved in the microbusiness, or an individual authorized to sign for the applicant by a power of attorney on file with the Department. Attach a copy of a completed power of attorney.

sign
here

Signature

Telephone Number

Please Print your Name

Title

E-mail Address

Mail this application to:

NEBRASKA DEPARTMENT OF REVENUE, 301 CENTENNIAL MALL SOUTH, P.O. BOX 94818, LINCOLN, NE 68509-4818



Authorize Tentative Credits

- Part 2: Completed by Nebraska Department of Revenue to deny, approve, or partially approve the request
 - Review applications on first-in-first-out basis.
 - Use postal date, date of stamped certified mailing receipt, or date received
 - All applications received on the day the available funding is exceeded will be prorated



Nebraska Advantage Microenterprise Tax Credit Act Application

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Applicant's Name

Social Security Number

PART 2

DEPARTMENT OF REVENUE USE ONLY

Total Credits Reserved

Department of Revenue Authorized Signature

Date

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Filing Requirements

- Part 3:
 - Applicants who have received approval of authorized credits will submit the following when filing their Nebraska Individual Tax return, Form 1040N
 - A copy of approved form
 - Properly completed Part 3 and supporting documents
 - Request credit/refund based on actual activity

The Employment and Investment Credit Calculation, Form 3800N, must be filed with the applicant's individual income tax return for the year of application and the following tax year. Attach a copy of this form, signed by the Department of Revenue, to verify authorization to participate in the Microenterprise Tax Credit Act. Complete Part 3 of this form to calculate the credit earned and attach all required documentation.

PART 3

- | | | | |
|----------|---|----------|--|
| 1 | Enter the amount of total credits reserved in Part 2..... | 1 | |
| 2 | Enter microenterprise credit in prior year..... | 2 | |
| 3 | Remaining reserved credit (line 1 minus line 2) | 3 | |
| 4 | Calculation of microenterprise credit | | |

	Column A	Column B	Column C	Column D	Column E
	Base Year –Tax Year Prior to Application	Current Tax Year	Increase Over Base Year	Credit (20% of Col. C)	Credit Allowed
Tax year ending date					
Annual income					
New investment*					
New employment **					

* This should include net lease increase, depreciable assets purchases, repairs and maintenance expenditures, advertising, legal and professional services expenditures of the microbusiness, other than expenditures related to vehicles required to be licensed. Use the Lease Calculation Worksheet in the application guide to determine net lease increase.

** New employment means the amount of the total compensation plus the employer cost for health insurance for Nebraska resident employees.

Total Credit

- | | | | |
|----------|--|----------|--|
| 5 | Enter the lesser of line 3 or line 4 | 5 | |
|----------|--|----------|--|

6 Attach a copy of the following documents.

Base year and current year:

- Nebraska Reconciliation of Income Tax Withheld, Form W-3N, including a copy of the attached federal Wage and Tax Statements, Form W-2.
- Tax depreciation schedule
- Year end payroll register with year to date information to include total hours paid to hourly and salaried staff.
- Copy of lease agreements for any lease of qualified property.

Current Year:

- Copy of invoices supporting purchases of fixed assets, repairs and maintenance, advertising, legal and professional services.

E-MAIL: If you allow the department to contact you by e-mail, you accept any risk of loss of confidentiality associated with this method of communication.

AUTHORIZED SIGNATURE. This application must be signed by the individual actively involved in the microbusiness, or an individual authorized to sign for the applicant by a power of attorney on file with the Department. Attach a copy of a completed power of attorney.

**sign
here**

Signature

Telephone Number

Please Print your Name

Title

E-mail Address



Examples:

- New investment
 - Purchased \$40,000 in equipment base year and purchased \$100,000 in year of application
 - $\$60,000 \times 20\% = \$12,000$ limited to \$10,000 credit
 - Renewed building lease for three years. The annual lease payment increased from \$36,000 per year to \$48,000 per year
 - $\$12,000/\text{year} \times 3 \text{ years} \times 20\% = \$7,200$ credit



Examples (continued):

- New Employment

- Three employees each received a \$1,500 raise in the year of application. Other compensation the same as base year.
 - $\$1,500 \times 3 \text{ employees} \times 20\% = \900 credit

- Microbusiness Size

- 6 part time employees each work 30 hours in the pay period including the date of application
 - $30 \text{ hours} \times 6 \text{ employees} = 180 \text{ hours}$
 - $180 \text{ hours} / 40 \text{ hours per week} = 4.5 \text{ FTE}$

Eligible



Examples (continued):

- Related Parties
 - If two brothers apply for separate and distinct business activities, can they both claim \$10,000 in credit? NO



- Reported Information
 - Total authorized, used and expired credits.
 - Amount of employment and investment made
 - No specific information by applicant



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Microenterprise End